



## Information Partners Can Use on:

# TRICARE

## New Medicare Prescription Drug Coverage

As of February 21, 2006

**If you are TRICARE-Medicare eligible beneficiary you need to know**

1. Starting January 1, 2006, Medicare prescription drug coverage became available to everyone with Medicare, including you.
2. There are several factors you need to consider when deciding whether you should join a Medicare prescription drug plan.
3. For nearly all people with TRICARE-Medicare beneficiaries, under most circumstances there is no added value in purchasing Medicare prescription drug coverage if you have TRICARE. The exception to this general rule is for those with limited incomes and assets who qualify for Medicare's extra help with prescription drug costs: such individuals may benefit by applying for the low-income subsidy.

TRICARE Pharmacy (Entitlement):	Medicare Prescription Drug Coverage:
■ Beneficiaries must be registered in DEERS-Medicare Part B required if age 65 after 1 April, 2001, except for active duty family members	■ All Part A or Part B enrollees living in the U.S. are eligible
■ No enrollment necessary	■ Voluntary annual open enrollment period
■ Uniform national formulary	■ Covered drugs and network pharmacies vary by drug plan
■ Nationwide network of pharmacies and mail-order pharmacy benefit	■ Offered by Medicare Prescription Drug Plans, Medicare Advantage plans, and other Medicare Health Plans
■ Beneficiary Costs: <ul style="list-style-type: none"><li>■ No monthly pharmacy premiums</li><li>■ No deductible for retail network pharmacies or mail order</li><li>■ Standardized cost shares \$3 for generic formulary, \$9 for brand name formulary and \$22 for non-formulary, no cost shares at MTFs</li><li>■ Deductible and higher cost shares when using non-network retail pharmacies</li><li>■ \$3,000 maximum cap for medical and pharmacy;</li><li>■ \$1,000 cap for active duty family members</li></ul>	■ Beneficiary Costs (for standard coverage; plan designs may vary): <ul style="list-style-type: none"><li>■ Monthly premium about \$32 (varies by plan, adjusted annually)</li><li>■ \$250 deductible</li><li>■ 25% copay for prescription drugs for the first \$2,250 in prescription drugs</li><li>■ 100% beneficiary responsibility for prescription drugs from \$2,250 until out-of-pocket costs reach \$3,600</li><li>■ After \$3,600, beneficiaries pay the greater of \$2/\$5 copay or 5% for rest of calendar year</li><li>■ \$3,600 beneficiary drug cap</li></ul>

4. TRICARE is considered creditable coverage. So, if you decide not to join a Medicare drug plan now, but change your mind at a later time, you can do so without paying the late enrollment penalty.

## 1. What is a Medicare prescription drug plan?

Medicare drug plans provide insurance coverage for prescription drugs. These plans are offered by insurance companies and other private companies. Plans cover both generic and brand-name prescription drugs. You can choose a plan that meets your needs.

### There are two types of Medicare drug plans:

- There are prescription drug plans that add coverage to the Original Medicare Plan (fee-for-service), Medicare Private Fee-for-Service Plans that don't offer prescription drug coverage, and Medicare Cost Plans.
- There are also prescription drug coverage that is part of Medicare Health Plans (Medicare Advantage and other Medicare Health plans). You would get all of your Medicare healthcare and prescription coverage through these plans.

For most people, joining before May 15, 2006 means you will not pay a penalty if you join after May 15, 2006. **It is important to note that as TRICARE enrollees, you are not subject to the penalty if you decide to join a Medicare drug plan at a later date.** You can enroll in a Medicare drug plan from November 15–December 31 of each year.

Unlike many people with Medicare, TRICARE beneficiaries already have comprehensive pharmacy benefit with no monthly premium and minimal co-pays for prescription drugs from TRICARE retail network pharmacies and the TRICARE Mail Order Pharmacy; no costs for prescription drugs at military treatment facilities.

## 2. Should people with TRICARE-Medicare eligible beneficiaries sign up for the new Medicare drug coverage?

TRICARE-Medicare eligible beneficiaries, entitled to the TRICARE Pharmacy benefit, need to consider a number of factors when deciding whether or not to enroll in a Medicare drug plan. They should consider monthly premiums, deductibles, co-pays, and drugs

	Standard Medicare Prescription Drug Coverage	Medicare with TRICARE Wrap Around Coverage.
<b>Monthly Premium</b>	\$32 (national average, varies by plan); \$384 annually	Beneficiary is responsible for the monthly Medicare premium
<b>Annual Deductible</b>	\$250	TRICARE pays the beneficiary's Medicare deductible.
<b>Drug spending: \$250-\$2,250</b>	Beneficiary pays 25%; Medicare pays 75%	TRICARE pays the beneficiary's Medicare co-payments. Beneficiary pays nothing.
<b>Coverage Limit-Drug Spending \$2,250-\$5,100</b>	Beneficiary pays 100%, until out-of-pocket spending reaches \$3,600	TRICARE becomes the primary payer and the beneficiary pays the TRICARE co-pays (\$3 generic, \$9 brand, \$22 non-formulary).
<b>Drug spending: \$5,100 and up (after out-of-pocket spending is \$3,600)</b>	Beneficiary pays 5% or \$2/\$5 co-pays	TRICARE payments do not count toward the Medicare beneficiary's out-of-pocket spending cap of \$3,600. Beneficiary copayments are applied to the TRICARE \$3,000 cap (active duty family \$1,000 cap) which is less than Medicare prescription drug coverage cap of \$3,600.

covered under the different Medicare plans offered and compare to TRICARE. The following questions and answers may help in making this decision:

**Q:** Is my TRICARE Pharmacy benefit reduced because Medicare now offers prescription drug coverage?

**A:** No. TRICARE has a comprehensive Pharmacy benefit which does not change as a result of the new Medicare prescription drug coverage. TRICARE continues as your primary payer for prescription drugs, if you do not enroll in a Medicare prescription drug plan.

**Q:** What happens to my TRICARE Pharmacy coverage if I join a Medicare prescription drug plan?

**A:** TRICARE-Medicare eligible beneficiaries who enroll in a Medicare prescription drug plan must pay the monthly Medicare prescription drug plan premium; TRICARE does not reimburse premium costs. If a TRICARE-Medicare eligible beneficiary enrolls in a prescription drug plan that adds prescription coverage to the Original Medicare plan, Medicare is primary and TRICARE pharmacy, as second payer, will pay the beneficiary's out-of-pocket costs for TRICARE-covered medications, as well as the Medicare prescription drug plan deductible and cost shares. When the individual becomes responsible for 100% of the drug costs under the Medicare prescription drug plan, the TRICARE pharmacy benefit becomes primary payer and the individual is responsible for the applicable TRICARE pharmacy cost shares. TRICARE drug costs do not count toward meeting the Medicare prescription drug plan out-of-pocket limit. Once the TRICARE catastrophic cap is met, TRICARE pays 100% for prescription drug coverage.

If a TRICARE-Medicare eligible beneficiary enrolls in a Medicare Advantage drug plan, he/she pays the monthly premiums and gets all medical care and prescription

drugs through the Medicare Advantage plan. If the Medicare Advantage Plan has a Part A drug benefit, TRICARE will pay secondary as described above.

Under most circumstances, there is no added value in having Medicare prescription drug coverage if you have TRICARE:

Max, a TRICARE-Medicare beneficiary, has a number of medical conditions including acid reflux, hypertension, and problems sleeping and breathing for which he takes 25 prescriptions in a year.

- Under TRICARE coverage alone, he will spend \$201 in copays each year (21 prescriptions at \$9 copays and 4 prescriptions at \$3 copays).
- If he joins a Medicare prescription drug plan as well, he will spend \$537 each year. He spends more because he must pay the Medicare prescription drug plan premium in addition to TRICARE co-pays in Medicare's coverage limit.
- **Medicare's extra help for those with limited incomes and resources:** If Max qualifies for Medicare's extra help (see question 3 below for income and asset levels and how to apply), then he will spend about \$51 in co-pays and the Medicare prescription drug premium and deductible may be waived or reduced. In this example, Max may be financially better off by applying for Medicare's extra help, joining a Medicare drug plan, and keeping his TRICARE coverage.

**Q:** If, as a TRICARE-Medicare eligible beneficiary, I don't join a Medicare prescription drug plan now, can I change my mind and join later without having to pay a penalty?

**A:** Yes. People with TRICARE may enroll in a Medicare prescription drug plan during the open enrollment period at the regular monthly premium rate because TRICARE Pharmacy benefit is creditable coverage. However, if you lose TRICARE coverage, you must join a prescription drug plan within 63 days or you will pay the monthly premium plus at least a

	Medicare with TRICARE Wrap Around Coverage	TRICARE Only
<b>Premiums</b>	\$384 Medicare premium	\$0
<b>Total Out-of-Pocket</b>	\$537 = TRICARE copays in Medicare's coverage gap (total spending over \$2,250) and Medicare premium of \$384	\$201

1% penalty for each month they did not have creditable coverage.

#### Examples:

Betsy is the widow/divorcee of a military member. If she marries a civilian who is not entitled to TRICARE Betsy loses her TRICARE eligibility and may now join a Medicare prescription drug plan at the regular monthly premium rate. If Betsy delays her enrollment for more than 63 days from the time she lost TRICARE eligibility, she will then pay her monthly premium and an additional late enrollment penalty of at least 1% for each month she waited to join.

Sid is a military retiree, with TRICARE-Medicare eligible, and enjoys the TRICARE Pharmacy benefit. Though offered a Medicare prescription drug plan, Sid chooses not to join and continues to use his TRICARE Pharmacy benefit, which qualifies as creditable coverage under Medicare. He is responsible for all TRICARE-related pharmacy costs. If, for some reason, he later chooses Medicare prescription drug coverage, he will be responsible for paying the regular monthly premium rate for joining a Medicare prescription drug plan.

### 3. Can people with TRICARE who are Medicare-eligible, qualify for extra help paying prescription drug costs under a Medicare Prescription Drug Plan?

People with TRICARE who are Medicare-eligible and have limited income and resources may qualify for extra help paying the Medicare prescription drug plan premiums, deductibles, and co-pays. People who think they may qualify for Medicare's extra help can apply for it and still keep their TRICARE pharmacy coverage.

- If your annual household income is below \$14,700 (or \$19,800 if you are married and living with your spouse), you may qualify. These amounts may be higher if
  - you provide at least half of the support of other relatives living in your household or
  - you reside in Alaska or Hawaii, or
  - you are working

There are also income exclusions for the working blind and disabled.

- To get the extra help with Medicare drug plan costs your countable resources generally must be valued below \$11,500 (or \$23,000 if you are married and living with your spouse). The resource limits

include \$1,500 per person for burial expenses. Resources include the value of things you own.

Some examples of countable resources are

- real estate (other than your primary residence)
- bank accounts, including checking, savings and certificates of deposit
- stocks
- bonds, including U.S. Savings Bonds
- IRAs
- mutual funds
- cash at home, or anywhere else

- Some things are not counted as resources, such as
  - your primary residence
  - your vehicle(s)
  - your household goods and personal possessions
  - resources you could not easily convert to cash, such as farm machinery and livestock, jewelry and home furnishings
  - money conserved for medical and social services
  - federal income tax refunds
  - property you need for self-support such as rental property, or land you use to grow produce for home consumption
  - life insurance policies owned by an individual with a combined face value of \$1,500 or less. An individual and spouse could have a total of \$3,000.

If you believe you may qualify for Medicare's extra help, you can request an application from the Social Security Administration (SSA) by calling SSA at 1-800-772-1213 or you can go to [www.socialsecurity.gov](http://www.socialsecurity.gov) on the web to apply online. After you apply, you will get a notice in the mail that tells you if you qualify. SSA's application process provides you with the quickest aid decision. You can also apply at your local Medicaid office. Your state determines if you qualify for the extra help or other assistance your state provides.

You may qualify for assistance paying the Medicare Part D premiums, deductibles, and copays if you have limited income and limited resources. If you think you may qualify for Medicare's extra help, you may apply for it and still keep your TRICARE pharmacy coverage.

As noted in the example under question 2 above, Medicare's extra help may be a better deal than TRICARE alone. You may be financially better off by applying for Medicare's extra help, and if eligible for it, joining a Medicare drug plan, while still keeping your TRICARE pharmacy coverage.

## For more information about Medicare prescription drug coverage...

- visit [www.medicare.gov](http://www.medicare.gov) on the web and select “search tools” to get personalized information.
- call your State Health Insurance Assistance Program (see your copy of the “Medicare & You 2006” handbook for their telephone number). You can also call 1-800-MEDICARE (1-800-633-4227), or look at [www.medicare.gov](http://www.medicare.gov) on the web to get the telephone number. TTY users should call 1-877-486-2048.
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## For more information about TRICARE Pharmacy Benefits...

- [www.tricare.osd.mil/pharmacy](http://www.tricare.osd.mil/pharmacy) on the web.
- For general TRICARE questions beneficiaries can be referred to 1-888-DOD-LIFE (1-888-363-5433).

There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit [www.medicare.gov](http://www.medicare.gov) on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.